

E-filed 5/15/07

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

AVAGO TECHNOLOGIES GENERAL IP PTE
LTD. and AVAGO TECHNOLOGIES ECBU IP
LTD.

Case No. C04-05385 JW (HRL)

Plaintiffs,
v.

**ORDER GRANTING ELAN'S MOTION
FOR LEAVE TO AMEND ITS FINAL
INVALIDITY CONTENTIONS**

ELAN MICROELECTRONICS CORP. and
ELAN INFORMATION TECHNOLOGY
GROUP,

Re: Docket No. 205

Defendants.

In this patent infringement action, Avago Technologies General IP Pte. Ltd. and Avago Technologies ECBU IP Ltd. (collectively, "Avago") allege that Elan Microelectronics Corp. and Elan Information Technology Group (collectively, "Elan") infringe two patents ("the '780 patent" and "the '804 patent;" collectively, "the patents in suit") involving optical navigation technology used in computer mice.

The court issued a Claim Construction Ruling on August 18, 2006. Elan served its Final Invalidity Contentions on October 10, 2006. In February 2007, Elan came up with a new theory that one of Avago's patents was invalid for lack of written description and enablement. Elan had determined that the court's August 18 order opened the door to this new defense. Elan promptly disclosed the new theory to Avago and stated an intention to base a summary

1 judgment motion on it. Elan filed the summary judgment motion on May 1, 2007. Recently,
2 Avago questioned Elan's expert about the new theory. Elan now seeks to formalize its new
3 theory by moving for leave to amend its Final Invalidity Contentions ("FICs") under Patent
4 Local Rule 3-7.

5 At the hearing on this motion, Avago acknowledged that no additional discovery would
6 be needed to respond to the new invalidity contention. Avago also admitted that it would not be
7 prejudiced by the amendment except that it would have liked to have had more time to prepare
8 its response. However, Avago was on notice of the new defense since February and did not
9 have to file its opposition to the summary judgment motion until today. Surely, Avago has had
10 adequate time to address the new theory.

11 Legal Standard

12 Patent Local Rule 3-6(b) allows a party opposing a claim of patent infringement to serve
13 Final Invalidity Contentions that amend its Preliminary Invalidity Contentions within 50 days of
14 service of the court's Claim Construction Ruling. This amendment is permitted without the
15 need to seek leave of the court. Patent Local Rule 3-7 provides that any other amendment of the
16 Preliminary or Final Invalidity Contentions "shall be made only by order of the Court, which
17 shall be entered only upon a showing of good cause."

18 Discussion

19 The issue for the court is whether or not Elan has made the requisite showing of good
20 cause to amend its FICs. In *O2 Micro Intern. Ltd. v. Monolithic Power Systems, Inc.*, 467 F.3d
21 1355 (Fed. Cir. 2006), the Federal Circuit (interpreting the relevant local rules) held that "good
22 cause" requires a showing of diligence, and that the burden is on the movant to establish
23 diligence. Judges in the Northern District of California have considered other factors as well in
24 the "good cause" calculus. See, e.g., *Tessera, Inc. v. Advanced Micro Devices, Inc.*, No.
25 C05-4063 CW, 2007 WL 1288199 (N.D. Cal. Apr. 30, 2007) (considering timing and the
26 impact of amendment on other case deadlines); *Lexar Media, Inc. v. Pretec Electronics Corp.*,
27 No. C00-04770 MJJ, 2007 WL 1170633 (N.D. Cal. Apr. 18, 2007) (concluding that opponent
28 had sufficient notice and choosing to elevate substance over form); *Comcast Cable*

1 *Communications Corp., LLC v. Finisar Corp.*, No. C 06-04206 WHA, 2007 WL 716131 (N.D.
2 Cal. Mar. 2, 2007) (mitigating any prejudice through an award of costs); *Fresenius Medical*
3 *Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. C 03-1431 SBA, 2006 WL 1329997 (N.D. Cal.
4 May 15, 2006) (considering lack of prejudice, notice issues, and the importance of deciding
5 invalidity challenges to patents).

6 Elan argues that it has shown good cause because it brought the issue to the court's and
7 to Avago's attention promptly after discovering the problem. Elan also emphasizes that there is
8 no prejudice to Avago, because Avago has had plenty of warning (several months) that Elan
9 would seek to make this argument. Finally, Elan argues that the court should promote
10 substance over form, that the issue of a patent's invalidity for lack of written description and
11 enablement is very important, and that it is in the public interest for the issue to be decided on
12 the merits.

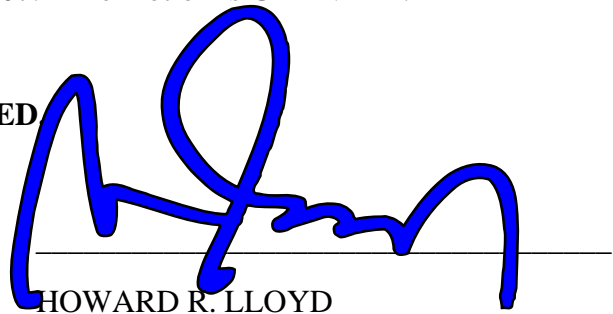
13 Avago's only argument is that Elan was not diligent in crystalizing its invalidity theories
14 as soon as possible. Elan had everything it needed to formulate this theory once the court
15 issued its August 18, 2006 Claim Construction Ruling, but did not "realize" (Elan's own word)
16 this potential defense until February 2007. Avago asserts that diligence is at the heart of the
17 good cause inquiry, because the purpose of the relevant Patent Local Rules is to require the
18 parties to formulate and explain their theories early in the litigation.

19 Elan should have sought to amend its FICs sooner; however, on balance, Elan has
20 shown sufficient good cause to amend its FICs now. First, Avago will not be significantly
21 prejudiced by the amendment. Avago will have known about this theory for almost three
22 months before its opposition to the relevant summary judgment motion is due. Also, all of the
23 documents that this theory is based on have been in Avago's possession for at least as long as
24 they have been in Elan's. Second, the court wishes to have this invalidity issue decided on its
25 merits, in the interest of promoting substance over form. Third, there is no reason to suspect
26 that Elan is acting in bad faith. Fourth, it seems that Elan was diligent in notifying Avago of
27 this new invalidity theory as soon as Elan itself came up with it.
28

1 On the other hand, Elan gives no excuse for failing to “realize” the existence of this
2 theory for approximately six months after it had access to all the information it now relies on.
3 Therefore, the court will permit Elan to amend its FICs to assert the theory explained in the
4 recent briefing, on the condition that Elan reimburse Avago for the costs and attorneys' fees
5 Avago has incurred in litigating the instant motion, which would not have been litigated in this
6 fashion but for Elan's tardiness. Avago shall file a declaration of counsel setting forth with
7 specificity the costs and attorneys' fees incurred in litigating this motion no later than May 29,
8 2007. See *Comcast Cable Communications Corp., LLC v. Finisar Corp.*, No. C 06-04206
9 WHA, 2007 WL 716131 (N.D. Cal. Mar. 2, 2007) and *Biogenex Laboratories, Inc. v. Ventana*
10 *Medical Systems, Inc.*, No. C05-860 JF (PVT), 2006 WL 2228940 (N.D. Cal. Aug. 3, 2006).
11 Elan's opposition, if any, is due June 5, 2007. The motion is GRANTED.

12
13 **IT IS SO ORDERED**

14
15 Dated: 5/15/07

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17

HOWARD R. LLOYD

UNITED STATES MAGISTRATE JUDGE

THIS SHALL CERTIFY THAT A COPY OF THIS ORDER WILL BE SENT TO:

Morgan Chu mchu@irell.com

Hsin-Yi Cindy Feng cfeng@akingump.com

Alan J. Heinrich aheinrich@irell.com

Yitai Hu yhu@akingump.com

Sang Hui Michael Kim mkim@akingump.com, skapralov@akingump.com;
nthreadgill@akingump.com; btseng@akingump.com

Samuel Kai Lu slu@irell.com

Richard Elgar Lyon , III rlyon@irell.com, mwilliams@irell.com; jgordon@irell.com;
CMcEntee@irell.com; rick.lyon@gmail.com

Gary C. Ma gma@akingump.com

David Craig McPhie dmcphie@irell.com, jrichter@irell.com

Elizabeth H. Rader erader@akingump.com, skapralov@akingump.com;
btseng@akingump.com; nmarie@akingump.com

Jonathan Philip Steinsapir jsteinsapir@irell.com

* Counsel are responsible for providing copies of this order to co-counsel.

Dated: 5/15/07

/s/ JMM

Chambers of Magistrate Judge Lloyd